



March 26, 2007

The Honorable Mayor Frederick E. Turnage
And Members of the City Council
City of Rocky Mount
North Carolina

Dear Ladies and Gentlemen;

It is my pleasure to submit for your review and consideration this Recommended Capital Improvement Program for fiscal years 2008-2012. This Plan will provide the resources to maintain and improve the City's infrastructure over the coming years. I recommend this program and believe it will serve the City of Rocky Mount well.

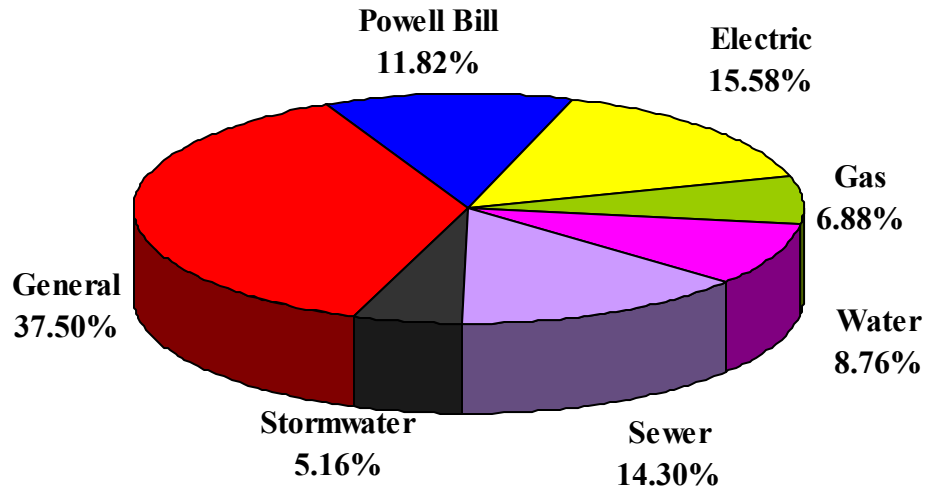
This 2008-2012 Capital Improvement Program (CIP) includes 197 projects for a total funding requirement of \$102,863,000. The first year of the CIP or Capital Budget includes 88 projects with a total funding requirement of \$19,265,000. Upon review and adoption by the City Council, the recommended projects contained in the first year of the CIP will become the Capital Budget and their funding will be incorporated in the FY 2007-2008 Operating Budget.

Funding Requirements	
FY 2007-2008	\$19,265,000
FY 2008-2009	\$19,708,000
FY 2009-2010	\$19,271,000
FY 2010-2011	\$23,994,000
FY 2011-2012	\$20,625,000
Total	\$102,863,000

Overall, this recommended Capital Improvement Program represent a 2.4% decrease over last year's Recommended Plan.

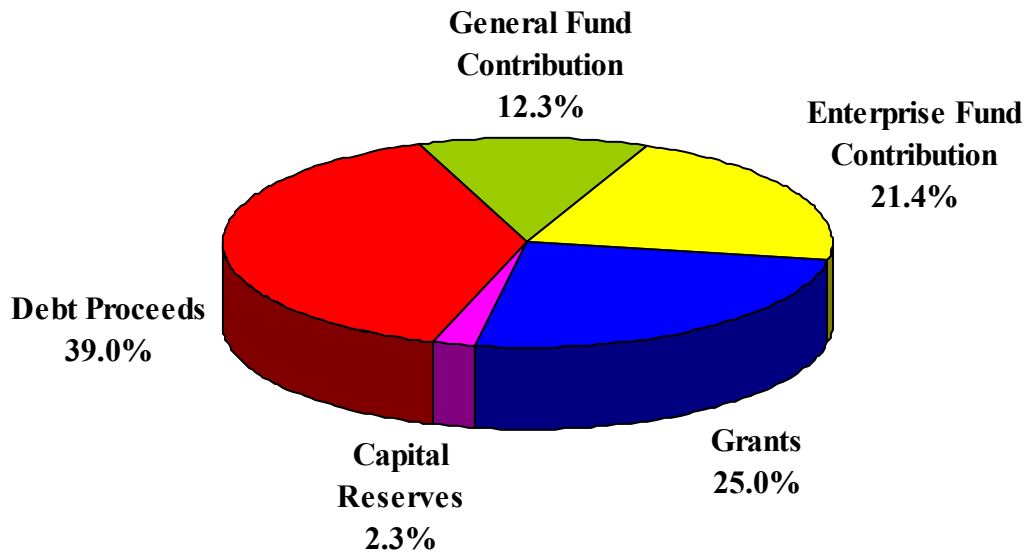
The chart below shows a diverse Capital Improvement Program with projects representing a variety of funds and service areas. The General Fund projects total approximately \$38.6 million. The largest share of this amount is funding related to the Douglas Block redevelopment and Downtown revitalization. Overall, these expenditures by fund are larger than last year's comparisons.

Expenditures by Fund



The funding plan relies on debt proceeds for the largest portion of the CIP plan (\$40.1 million). These proceeds come primarily by installment-oriented lease financing paid in terms ranging from 3 to 15 years, with financing for Downtown projects coming from the U.S. Department of Housing and Urban Development's Section 108 Loan program, which is paid over 20 years.

Revenues by Type



Financial Overview

The national, state, and local economies are continuing to experience improvement, and local activity has gained momentum in the past year. The City is experiencing strong revenue growth this fiscal year, and we are cautiously optimistic that it will continue over the next couple of years. Regardless, the impact of our recent downturn due to the struggles of local industry will continue as some areas of utility sales remain below past numbers. Naturally, this means less funding for operations and capital projects than previously enjoyed. Considering ongoing increases in costs for employee benefits, contractual services, and other operating costs, along with the demands of existing debt service, the City must act conservative with respect to capital project development.

Presently, the State is respecting its commitment to localities and not withholding reimbursements and state collected local revenues. While the City anticipates a steady situation on the state level in the future, we remain cautious and will continue monitoring budget decisions made by the Legislature and Governor. This has particular impact on the funding of roadway projects, which comes primarily from our portion of the State's Powell Bill allocation.

The City is proud of its recent completion of several large capital projects, including the Imperial Center, Sports Complex, and Senior Center. In the future, we are planning service expansion associated with proposed annexations that will become effective in 2008 and 2009. As a result, additional large general, water, and sewer projects involving new equipment, facilities, and service delivery infrastructure will be completed in the first half of the proposed CIP period. Many of these projects, past and future, create additional operational needs and costs as they are completed, resulting in additional expenses to the operating budget for FY 2007-2008 and beyond.

In response to these challenges, we maintain the cautious and conservative attitude in preparing the CIP and budget exhibited over the last several years. Several projects have been eliminated, reduced in scope, or delayed. Those included have been carefully scrutinized to ensure their necessity, feasibility, and value. As a result, the CIP reflects not only what is needed and when, but also what is possible with a firm commitment for completion.

Funding Decisions

This CIP represents a strong effort to maintain a cautious and responsible approach to capital spending. In developing their requests, departments kept in mind the following:

- Maintain approximately the same level of spending from one year to the next;
- Fund maintenance related items along with new facilities and equipment;
- Take advantage of grants and funding from outside sources whenever possible; and
- Maintain the established schedule from prior years as closely as possible.

Reviewing the requested projects, the highest funding priority was given to projects that supported existing services and service levels, along with additional established commitments of the City. This was done while being fiducially responsible by aligning funding commitments with the available capacities of City funds over the duration of the CIP period. I am confident that the resulting plan maintains, improves, and expands as necessary the delivery of City services while remaining fiscally sustainable.

The next few pages review the recommended CIP both in broad terms and specifics. More information about each project may be found on the accompanying detail sheets.

Recommended Projects

General Fund

The largest projects in the General Fund are the Douglas Block redevelopment and Downtown streetscape enhancement. Along with the project cost are costs of grant matches and repayment of debt associated with these projects, which exists long after project completion. For example, significant commitments are listed for debt payments on the Braswell Library and Senior Complex. The operational costs on new facilities such as the recently completed Sports Complex will be included in the City's operating budget.

The recommended CIP includes two maintenance related projects for City Hall. They are replacement of chiller equipment (\$150,000) and roof replacement (\$240,000). The aging of City Hall, now over 20 years old, necessitates initiating the replacement and upgrade of these components. Other funded facility improvements are recommended for the Field Service Complex (\$170,000).

Several Public Safety projects are proposed. The FY 2007-2008 Capital Budget calls for the purchase of a replacement fire pumper (\$444,000). The current pumper is 15 years old. The capital budget also provides for the design of possible conversion of the current COG building into a public safety training center (\$40,000). Future projects for the Fire Department include construction of a new station associated with proposed annexation (\$1.5 million) and improvements to Headquarters Station (\$100,000) and administrative offices (\$200,000). The Police Department continues its replacement of Patrol vehicles (\$1.9 million over 5 years) in order to maintain a dependable fleet that enables a constant presence in neighborhoods and timely emergency response. Funds are also included for Police facility improvements (\$50,000).

Several capital projects associated with Parks & Recreation are scheduled, funded with a combination of grants and general fund contributions and no additional debt. Improvements are planned for City Lake, Sunset Park, and BBQ Park, while RM Wilson Gymnasium is scheduled for roof replacement in FY 2007-2008 and the South Rocky Mount Community Center will receive a floor replacement in the future. Enhancements

to the Senior Center and Cemetery operations, along with the proposed Veterans' Memorial, are also scheduled.

The Public Works component of the CIP incorporates projections involving both maintenance of existing facilities and services and their expansion due to proposed annexation. Significant equipment replacement, including those related to Environmental Services, are funded, along with improvements to the City's Fleet Maintenance facility. Annexation-related projects focus on additional equipment needed to expand operations, such as a new waste collection route.

We continue moving forward with projects in the Central City. Our plans for FY 2007-2008 include funding for the Douglas Block Redevelopment, involving planning, appraisal, and acquisition. The City receives primary funding for this project from grants and a Section 108 loan, for which loan repayment is included for the project in future years. Another funded project is the Downtown enhancement, which includes continued streetscape design and site improvement. Both projects are scheduled for continued funding throughout the CIP.

Finally, the CIP includes funding for priorities identified and adopted by the City Council during the FY 2006-2007 Budget process. These include investment inducements for affordable housing (\$1.3 million over 5 years) and redevelopment of the Happy Hill neighborhood (\$445,000). The redevelopment of the Booker T. Washington High School requires a substantial investment by the City in order to effectively leverage the additional support from grants, loans, and tax credits necessary to achieve the City's vision for the facility and surrounding community. The project has been scheduled following completion of primary work in the Douglas Block area, and its feasibility requires the consideration of additional funding sources on the part of the City Council.

Powell Bill

Fund received from the State through the Powell Bill allocation will enable the City to continue its important road improvement work. This CIP includes continued funding for resurfacing (\$4.25 million over 5 years), our primary road expense. The City will continue traffic mitigation projects that were identified in the Traffic Separation study reducing the impact of railroad crossing closures. New projects include the Southern Connector, Fountain School Road, and support for an additional Interstate 95 Interchange at Sunset Avenue planned in the future by the State.

The City continues to pursue grants for sidewalk construction and we are budgeting almost \$800,000 for repair and construction of new sidewalks. As a designated non-attainment area under the Clean Air Act, additional funds are available for Congestion Management projects to reduce emissions and improve air quality. These projects include intersection improvements and sidewalks (\$1.1 million).

The Powell Bill continues to reimburse the Stormwater and General funds for operational costs in these funds attributable to runoff load generated by streets and highways.

Public Utilities

The capital needs of the Public Utilities Department are identified and programmed based on the department's long-range plan for both gas and electric utilities. These include ongoing maintenance and necessary improvement. This CIP continues implementation of this initiative in an effective manner.

Some of the more expensive projects for the Electric Fund include the upgrade of substations (\$5.5 million), transmission pole replacement (\$1.1 million), and distribution system improvements (\$1.2 million). Significant Gas Fund projects include new gas mains (\$1.3 million), replacement of ductile iron pipes (\$1.25 million), and service and system expansion (\$1.25 million). The CIP for both funds includes funding for the City's conversion to automated meter reading (AMR) equipment (\$2.1 million for Electric, \$2.7 million for Gas). Due to the determination of other funding priorities and limits associated with funding capacity, AMR installation will be rolled out across all utilities over a three-year period, starting in FY 2010-11. Funds appropriated until then are for meters for new customers and targeted replacement.

Water Resources

Significant changes have been made to the CIP for Water and Sewer Fund projects to accommodate service extension necessitated by proposed annexation. Most annexation related projects must be completed within the first three years of the CIP, creating a substantial financial commitment in terms of current contributions and debt service. Reductions were made to ongoing maintenance and improvement projects to offset some of this increase. The CIP also includes Water Resources' portion of the conversion to AMR equipment (\$3.2 million), along with equipment replacement and line rehabilitation. On a fiduciary basis, this CIP corresponds to the financial capabilities of both funds.

Stormwater

This CIP reflects the priorities of the Stormwater Utility. The City will continue to concentrate on preparing basin mapping and modeling of the stormwater system. This mapping and modeling will allow for a comprehensive approach to handling stormwater in the City. In concert with the mapping, funds are included for construction of facilities and drainage structures. There are also funds included for drainage improvements, purchasing equipment necessary for Stormwater maintenance needs, and enabling the expansion of services required by proposed annexation.

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Conclusion

I look forward to presenting and discussing this very important document with the City Council. Upon the Council's collective review and approval, the recommendations contained in the first year of the CIP will be incorporated in the FY 2007-2008 Operating Budget.

Sincerely,

Stephen W. Raper
City Manager



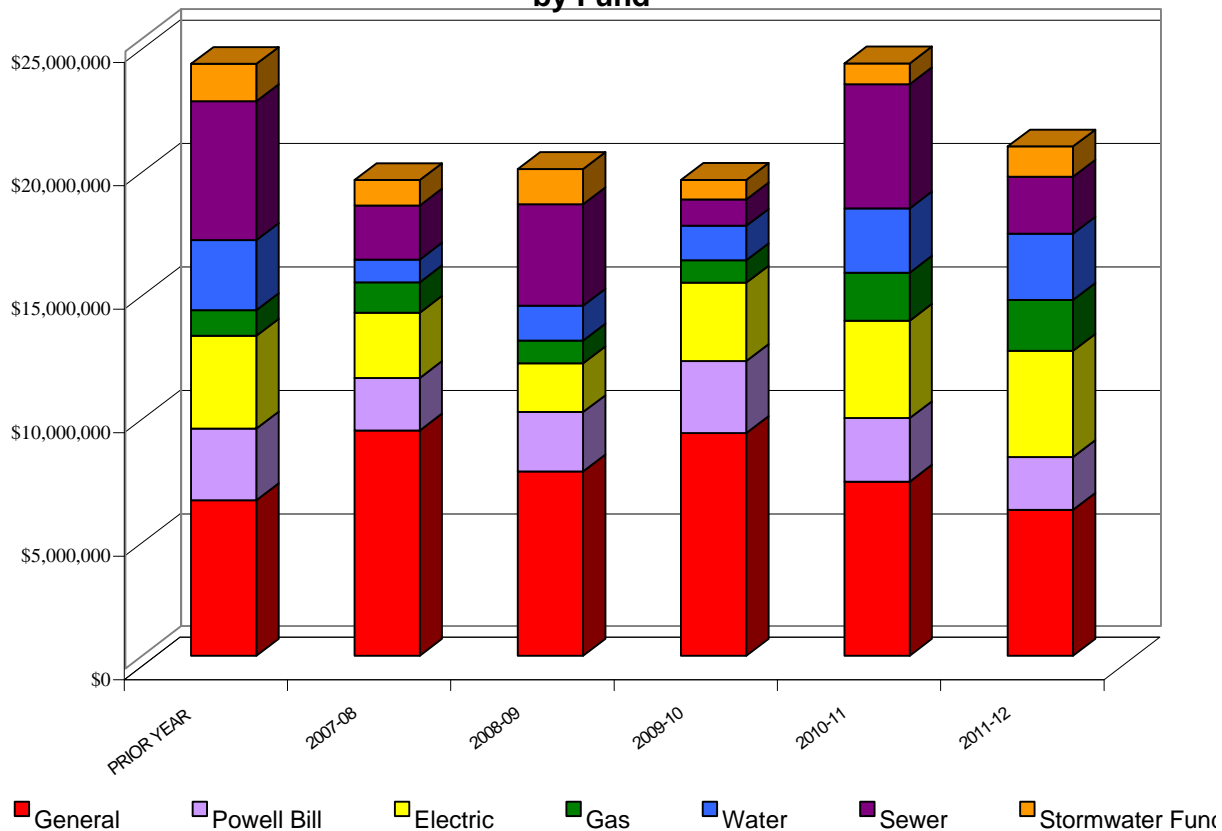
2008-12 Capital Improvement Program - Summary

REVENUE SUMMARY	PRIOR YEAR COST	2007-08 BUDGET	2008-09 PLAN	2009-10 PLAN	2010-11 PLAN	2011-12 PLAN	2008-12 PLAN TOTAL
Grants	\$5,732,555	\$5,932,200	\$4,935,800	\$5,906,700	\$5,173,600	\$3,787,600	\$25,735,900
Capital Reserves	\$835,000	\$100,000	\$100,000	\$100,000	\$1,956,000	\$100,000	\$2,356,000
Debt Proceeds	\$8,268,300	\$5,576,000	\$7,593,000	\$6,652,000	\$10,120,000	\$10,152,000	\$40,093,000
General Fund Contribution	\$2,204,711	\$2,703,800	\$2,550,200	\$2,390,300	\$2,583,400	\$2,404,400	\$12,632,100
Enterprise Fund Contribution	\$6,928,300	\$4,953,000	\$4,529,000	\$4,222,000	\$4,161,000	\$4,181,000	\$22,046,000
Funding Total	\$23,968,866	\$19,265,000	\$19,708,000	\$19,271,000	\$23,994,000	\$20,625,000	\$102,863,000

EXPENDITURE SUMMARY

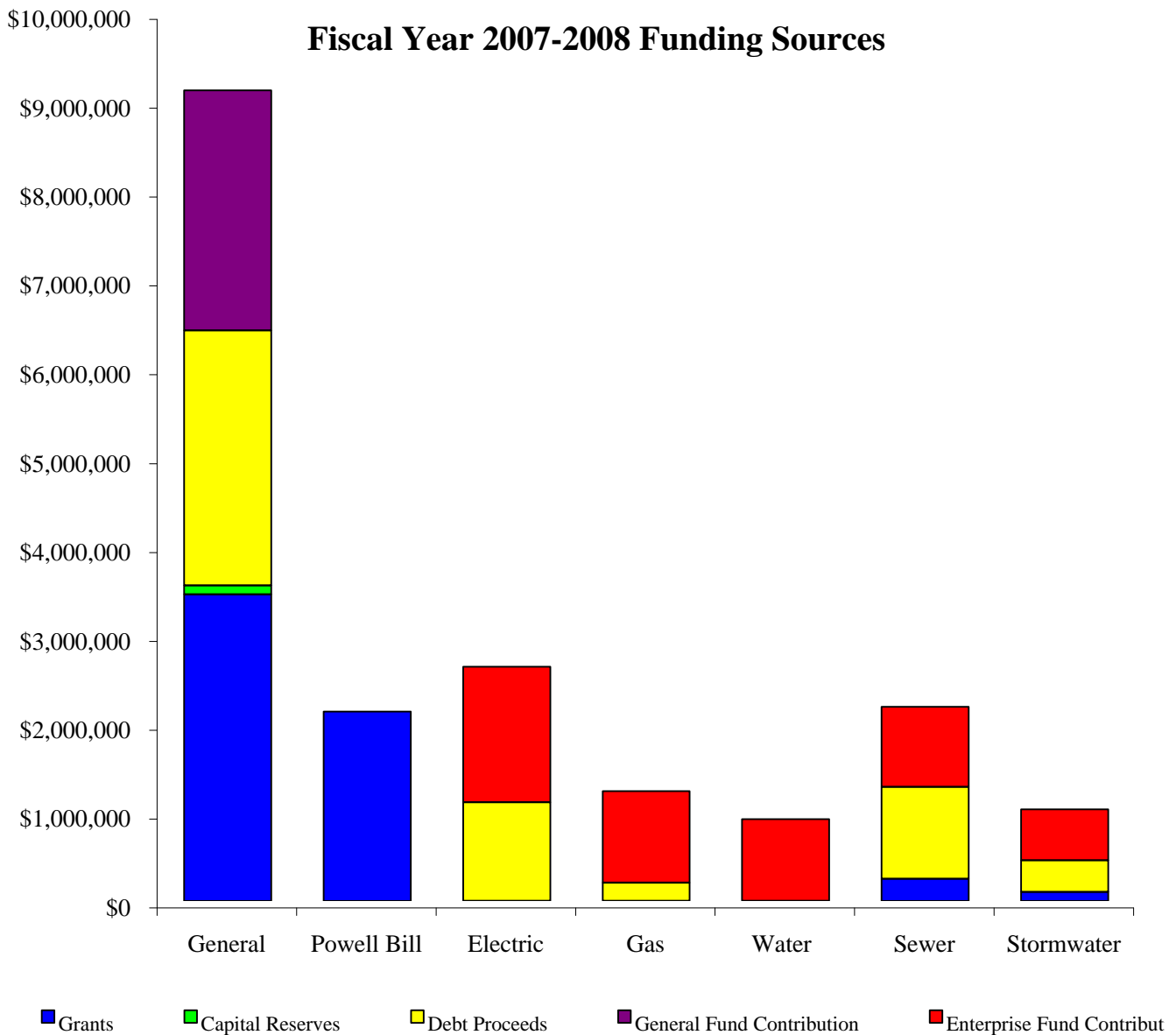
General	\$6,293,566	\$9,123,000	\$7,467,000	\$9,017,000	\$7,054,000	\$5,911,000	\$38,572,000
Powell Bill	\$2,906,400	\$2,131,000	\$2,401,000	\$2,923,000	\$2,568,000	\$2,139,000	\$12,162,000
Electric	\$3,763,900	\$2,636,000	\$1,980,000	\$3,167,000	\$3,946,000	\$4,300,000	\$16,029,000
Gas	\$1,035,000	\$1,235,000	\$915,000	\$910,000	\$1,950,000	\$2,065,000	\$7,075,000
Water	\$2,840,000	\$922,000	\$1,419,000	\$1,395,000	\$2,595,000	\$2,680,000	\$9,011,000
Sewer	\$5,619,000	\$2,186,000	\$4,106,000	\$1,072,000	\$5,031,000	\$2,311,000	\$14,706,000
Stormwater	\$1,511,000	\$1,032,000	\$1,420,000	\$787,000	\$850,000	\$1,219,000	\$5,308,000
Funding Total	\$23,968,866	\$19,265,000	\$19,708,000	\$19,271,000	\$23,994,000	\$20,625,000	\$102,863,000

**2008-12 Capital Improvement Program
by Fund**



Capital Budget - FY 2007-2008

FUNDING SOURCES:	General	Powell Bill	Electric	Gas	Water	Sewer	Stormwater	TOTAL
Grants	\$3,451,200	\$2,131,000	\$0	\$0	\$0	\$250,000	\$100,000	\$5,932,200
Capital Reserves	\$100,000	\$0	\$0	\$0	\$0	\$0	\$0	\$100,000
Debt Proceeds	\$2,868,000	\$0	\$1,111,000	\$205,000	\$0	\$1,035,000	\$357,000	\$5,576,000
General Fund Contribution	\$2,703,800	\$0	\$0	\$0	\$0	\$0	\$0	\$2,703,800
Enterprise Fund Contributio	\$0	\$0	\$1,525,000	\$1,030,000	\$922,000	\$901,000	\$575,000	\$4,953,000
TOTAL	\$9,123,000	\$2,131,000	\$2,636,000	\$1,235,000	\$922,000	\$2,186,000	\$1,032,000	\$19,265,000



Capital Budget - FY 2007-2008

These are the projects which comprise the FY 2007-2008 Capital Budget. Upon concurrence by the City Council, these projects will be included in the FY 2007-2008 Operating Budget.

<u>Project</u>	<u>Amount</u>
GENERAL	
Field Service Complex Improvements	\$95,000
Braswell Library Debt Payments	\$672,000
Crossing at 64 Project	\$300,000
Train Station Cooling Tower	\$80,000
Housing Incentives	\$100,000
BTW High School Redevelopment	\$50,000
Happy Hill Redevelopment	\$345,000
Inner City Neighborhood Housing	\$100,000
TRANSIT	
Transit Vehicle Acquisition (Tar River Transit Vans)	\$210,000
Transit Benches and Shelters	\$36,000
Transit Bus Major Maintenance Items	\$273,000
Bus Purchase Loan Repayment	\$23,000
DOWNTOWN	
Douglas Block Redevelopment	\$2,540,000
Downtown Enhancements SAFETEA Project	\$591,000
PUBLIC SAFETY	
Police Vehicle Replacement	\$350,000
Equipment Replacement - Fire	\$440,000
Public Safety Training Facility	\$40,000

Capital Budget - FY 2007-2008

PARKS AND RECREATION

Imperial Centre for Arts and Sciences	\$100,000
Rocky Mount Sports Complex	\$250,000
City Lake Improvements	\$50,000
Gymnasiums and / or Community Centers	\$150,000
Park Improvements	\$150,000
Senior Center	\$50,000
Senior Center - Building Payments	\$200,000
Veterans' Memorial @ J.Laughery Park	\$350,000

PUBLIC WORKS

Equipment Replacement - Streets	\$388,000
Equipment Replacement - Environ. Services	\$700,000
Annexation Capital Equipment Env. Services	\$405,000
Annexation Misc. Equipment and Supplies	\$50,000
Annexation Capital Equipment Community Code	\$35,000

POWELL BILL

Resurfacing Program	\$750,000
Congestion Mgmt. Air Quality Improvement	\$256,000
Southern Connector	\$100,000
Pavement Marking Program	\$35,000
Traffic Separation Mitigation Projects	\$175,000
Sidewalk Repair	\$75,000
Downtown SAFETEA Grant Match	\$140,000
General Fund Reimbursement	\$300,000
Stormwater Utility Capital Reimbursement	\$300,000

Capital Budget - FY 2007-2008

ELECTRIC

Equipment Replacement - Electric	\$425,000
Radio System Improvements	\$150,000
Relocation of Utility Lines - DOT	\$50,000
Distribution System Improvements	\$200,000
Residential Load Management Program	\$100,000
Street Light Improvement	\$100,000
Utility GIS & Dispatching System	\$100,000
Construct Second Point of Delivery Station	\$375,000
Substation # 2 - Rebuild Station	\$686,000
Transmission Pole Replacement	\$150,000
Sectionalizing Plan - Electric	\$100,000
Long Range Plan - Electric	\$50,000
Automated Meter Reading -Electric	\$150,000

GAS

Equipment Replacement - Gas	\$205,000
New Gas Main	\$300,000
Replace Gas Main	\$250,000
New Gas Services	\$150,000
Gas System Expansion	\$100,000
Automated Meter Reading - Gas	\$100,000
MGP Remediation	\$130,000

WATER

Sunset WTP Force Main	\$140,000
Dewatering Building Projects	\$130,000
Reservoir Water Quality Evaluation	\$50,000
Hydrilla Management	\$50,000
Battleboro System Improvements	\$72,000
Annexation Area 8B Water Mains	\$40,000
Minor Enhancements and Main Extensions	\$50,000
2" Main Replacement Program	\$100,000
Electronic Meters Installation - Water	\$190,000
Re-line Ductile Iron Pipe Water Lines	\$100,000

Capital Budget - FY 2007-2008

SEWER

Maple Creek Outfall Extension	\$1,285,000
Compass Creek Outfall-AA 4B	\$200,000
Cooley Rd/S. Wesleyan Sewer- AA 8B	\$88,000
Minor Line Extensions	\$50,000
Oversized Sewer Main Agreements	\$125,000
Cooley Rd PS/FM- Annex Areas 8B	\$48,000
Sewer Lift Station Generators	\$55,000
Lift Station SCADA Project	\$60,000
Sewer Rehabilitation Program	\$150,000
Manhole Rehabilitation Program - Sewer	\$75,000
Water Quality Evaluation	\$50,000

STORMWATER

Stormwater Maintenance Equipment	\$137,000
Basin Master Planning	\$175,000
Major Drainage Improvements	\$150,000
Minor Drainage Improvements	\$50,000
Eastern Tar/Gay Branch	\$350,000
Springfield Rd Box Culvert Upgrade	\$75,000
Annexation Capital Equipment	\$95,000

GRAND TOTAL	\$19,265,000
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Overview

A Capital Improvement Program (CIP) serves as a guide for the efficient and effective provision of public services and facilities. It proposes the development, modernization, or replacement of public physical assets over a multi-year period, arranges these projects sequentially based on priorities, and assigns an estimated cost and anticipated method of financing for each project. The CIP represents the City's long-range plan for the development of the City as a schedule of public improvements that identifies present and future needs and priorities.

The CIP touches each city resident and visitor through the provision of health, safety, transportation, recreation, and utility services. As a policy tool, the CIP provides information for groups interested in City growth and development need in order to make investment decisions, and it is a statement of intention for federal and state agencies that provide grants-in-aid to the City. Benefits of the CIP and its development process include:

1. Promoting the strategic use of the city's limited financial resources
2. Examining and prioritizing the needs of the city, assuring that the most essential improvements are provided first
3. Coordinating and consolidates departments' requests, avoiding duplication of projects and equipment
4. Identifying the timing, phasing, location, and funding of all capital improvements in a comprehensive manner
5. Allowing sufficient time for investigation of project financing, implementation measures, and proper technical design
6. Coordinating physical planning to ensure maximum benefit from available public funds
7. Attempting to provide an equitable distribution of public improvements throughout the City
8. Providing a basis for formulation of long-term debt programs and a basis for the pursuit of state and federal aid

The development of the CIP plays an important part in the City's budget process. The first year of the CIP provides guidelines for and ultimately reflects the Capital Budget with the following four years becoming the Capital Improvement Program.

Definition of Capital Improvement

In this CIP, **capital improvements are defined as physical assets, constructed or purchased, that have a minimum useful life of three years and a minimum cost of \$50,000.** Normal replacement of vehicles or equipment and normal recurring renovation costing less than \$50,000 are not included in the Capital Improvement Program. Examples include:

1. New and expanded physical facilities for the community over the \$50,000 threshold
2. Large-scale rehabilitation or replacement of existing facilities.
3. Major pieces of equipment which are costly and have a long expected life
4. The cost of engineering or architectural studies and services necessary to plan and complete improvements
5. The acquisition of land for a community facility such as a park, highway, sewer line, etc.

Overview

The CIP process begins in December when the departments formulate their capital project requests. The departments review their previously submitted requests revising and updating the project description, cost estimates and timing based on current information. This includes new projects, for which departments must estimate costs, suggest a schedule of funding for completion, and identify possible funding alternatives. Additionally, departments must evaluate and give a Category of Expenditures rating to all projects. These ratings help to justify the need for a project, but they are not the sole criteria for determining the funding or scheduling of a project. They serve as a guide for acceptance and/or inclusion of a project. The Categories of Expenditures are:

1. Legally mandated
2. Eliminates hazards to persons
3. Eliminates hazards to property
4. Ordered by City Council with or without petition
5. Current level of service cannot be continued unless work is done
6. Current level of service cannot be assured unless work is done
7. Extends life of facility more than five (5) years
8. Improves efficiency or generates additional revenue with initial cost being recovered by savings within less than five (5) years.
9. Improves efficiency or generates additional revenue with initial cost being recovered by savings within more that five (5) years and less than ten (10) years.
10. Expansion of service is deemed necessary
11. Needed to implement a new program or activity being requested in the operating budget
12. Other as needed

The key role in the initial stages of capital programming falls upon the operating departments. By virtue of their technical knowledge and experience in the individual fields, they initiate project requests formulated in a manner that state the merits of each project and its relative importance in the department's overall program.

Concurrent with the preparation of the CIP requests, the Budget & Evaluation Manager and Finance Director collect and analyze the financial information determining the resources available in the coming years. The Budget & Evaluation Manager also aids departments in their preparation of CIP requests.

After the compilation of the CIP requests, the Finance Director, Budget & Evaluation Manager, Assistant City Managers, and City Manager review all projects relative to community need and proposed funding. They are evaluated in terms of their priority, urgency and benefit in relation to all other capital projects with the current and projected fiscal resources in mind. This review, along with the knowledge of available funding, forms the basis of the programs recommended by the City Manager to the City Council. The decision on funding for capital projects is based on the merits of a particular project and the available funding from all financing sources.

Upon agreement by the City Council, the CIP is used in the development of the annual operating budget. The first year of the CIP provides guidelines for and ultimately reflects the Capital Budget with the following four years becoming the Capital Improvement Program.

The Capital Budget is incorporated into the City Manager's recommended annual budget that is subsequently reviewed and adopted by the City Council. By agreeing to the Capital Budget, the City Council does not actually commit to expenditures or appropriations, even in the first year. The City Council, during its annual budget review and approval process in May and June, will approve those recommended capital projects it deems appropriate for actual funding.

